

MINUTES

BOARD OF REGENTS COMMITTEE ON PLANNING AND FACILITIES MEETING

MAY 6, 2021

Note: On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 a public health emergency of international concern, subsequently declaring it a pandemic on March 11, 2020. On March 16, 2020, Governor David Y. Ige issued a supplementary proclamation that temporarily suspended Chapter 92, Hawai'i Revised Statutes, relating to public meetings and records, "to the extent necessary to enable boards to conduct business in person or through remote technology without holding meetings open to the public."

I. CALL TO ORDER

Chair Michelle Tagorda called the meeting to order at 8:33 a.m. on Thursday, May 6, 2021. The meeting was conducted virtually with regents participating from various locations.

Committee members in attendance: Chair Michelle Tagorda; Vice-Chair Wayne Higaki; Regent Simeon Acoba; Regent Kelli Acopan; Regent Alapaki Nahale-a, and Regent Jan Sullivan.

Others in attendance: Board Chair Benjamin Kudo; Regent Eugene Bal; Regent Randy Moore; Regent Robert Westerman; Regent Ernest Wilson (ex officio committee members); President David Lassner; Vice President (VP) for Administration Jan Gouveia; VP for Community Colleges Erika Lacro; VP for Legal Affairs/University General Counsel Carrie Okinaga; VP for Research and Innovation Vassilis Syrmos; VP for Information Technology/Chief Information Officer Garret Yoshimi; VP for Budget and Finance/Chief Financial Officer Kalbert Young; UH-Mānoa (UHM) Provost Michael Bruno; UH-Hilo Chancellor Bonnie Irwin; UH-West O'ahu (UHWO) Chancellor Maenette Benham; Executive Administrator and Secretary of the Board of Regents (Board Secretary) Kendra Oishi; and others as noted.

II. APPROVAL OF MINUTES

Regent Sullivan moved to approve the minutes of the February 3, 2021, meeting, seconded by Regent Acoba, and noting the excused absence of Vice-Chair Higaki, the motion carried with all members present voting in the affirmative.

III. PUBLIC COMMENT PERIOD

Board Secretary Oishi announced that the Board Office received written testimony as follows:

Written testimony in support of the authorization of a lease agreement between the university and the Agribusiness Development Corporation (ADC) for the benefit of Leeward Community College was submitted by Jeff Ibara.

Written testimony in support of the university land-related strategic initiatives and partnerships program innovation space/student housing was submitted by Otto Chung.

No individuals signed up to provide oral testimony.

IV. AGENDA ITEMS

A. Recommend Board Approval of Authorization to Amend Pre-Closing (Pre-Construction) Agreement with Greystar Development Services, LLC (Greystar) for Development of a Multi-Family Rental Housing Facility at the Former NOAA Site

Prior to his presentation, VP Young introduced Mr. Michael Shibata, the recently-hired director of the Office of Strategic Development and Partnership which serves as the lead agency for the university's real estate development and monetization efforts, including public-private partnership projects.

Regent Moore arrived at 8:38 a.m.

VP Young provided a brief history of the NOAA Graduate Student Housing Project (Project) noting that, in March 2020, the board approved the administration's original request to enter into a limited pre-closing agreement (PCA) with Greystar under which the university would agree to reimburse Greystar for incurred pre-construction costs of up to \$1.5 million for the Project. At that time, it was anticipated that additional pre-construction costs would be addressed in phases based upon pre-construction activity and that the administration would seek board approval for amendments to the PCA to accommodate these costs. In September 2020, the board approved an amendment to the PCA authorizing the expenditure of additional funds for Project pre-construction costs through April 2021. The administration is currently seeking board approval for a second amendment to the PCA that would allow it to authorize Greystar to expend up to an additional \$1 million to accommodate the next pre-construction phase of the Project. He stated that, should the board approve this request, the administration will have been authorized to expend a total of \$3.5 million of the \$5 million budgeted for pre-construction costs. It was also noted that the administration is expecting to return to the board in fall 2022 to seek approval for a third amendment to the PCA to address the final pre-construction phase of the Project. Although completion of some pre-construction work has experienced delays, primarily due to the COVID-19 pandemic, the Project continues to progress with completion and full occupancy anticipated by the fall of 2025.

Regent Nahale-a questioned the administration's rationale for agreeing to reimburse Greystar for pre-construction work if the PCA was terminated as a result of a material default by Greystar. VP Young explained that, under the PCA, Greystar has agreed to advance funds necessary to address costs and expenses for all required pre-construction work for the Project. If the PCA was terminated, the university would reimburse Greystar for funds that were advanced for already completed pre-construction work. In turn, the university would retain ownership and title to the work, including all of the Project's design and contract documents prepared by Greystar and

its third-party vendors, which would simplify the process for the university should it decide to proceed on the Project either on its own or with another development partner.

Noting that the board has already authorized the administration to expend \$2.5 million of the approximately \$5 million budgeted for Project pre-construction costs, Regent Sullivan asked about the use of the previously authorized expenditures and the status of the permitting process. VP Young replied that work necessary to complete the application process for submittal of the Plan Review Use permit modification has been conducted over the past 12 to 18 months and is nearing completion. Funds that were previously authorized by the board have been expended for much of this work including environmental and market demand studies. Additionally, monies have been used to begin architectural, design, and engineering work for the Project. Regent Sullivan questioned why architectural and design work on the Project was being conducted before final submittal of the PRU. VP Young stated that architectural, engineering, and design work has already been initiated to ensure that the Project meets the expectations and objectives of the university, as well as to address issues necessary for the PRU application process.

Regent Sullivan inquired about the milestones that needed to be accomplished with the \$5 million budgeted for pre-construction costs in order to achieve a successful bond issue for the Project. VP Young responded that bond issuance for the Project cannot occur until all necessary entitlements are acquired. He noted that completion and submittal of the required environmental studies was the last major milestone achieved and that securing the PRU and all of the Project's related permits would be the next major milestone. VP Gouveia added that the administration has been working closely with staff of the Department of Planning and Permitting of the City and County of Honolulu (DPP) and has reached a verbal agreement that the Project would be considered a minor modification to the PRU permit. She stated that additional studies requested by DPP, such as traffic flow studies and wind studies, are currently being completed and the PRU application should be finalized by the end of May 2021. Additionally, she noted that current funding is expected to be sufficient to complete the PRU application and approximately 60 percent of the Project's design phase. Regent Sullivan requested clarification as to whether the \$5 million budgeted for pre-construction costs was to obtain a minor modification of the PRU and any necessary building permits. VP Young replied that all of the work necessary to complete the pre-construction process, including securing of all of the necessary entitlements and permits necessary for bond financing and to begin actual construction of the Project was encompassed by the \$5 million.

Stating that it was her understanding that building permits still needed to be obtained, Regent Sullivan asked when the administration anticipated issuing bonds for the Project. VP Young responded that the target date for the issuance of bonds is in the first quarter of 2023.

Given the amount of time it has taken to achieve the current status of the Project, Regent Sullivan expressed her continued concerns regarding the Project's timetable and pre-construction budget estimates.

Board Chair Kudo asked if his understanding that the COVID-19 pandemic has delayed the Project and that its anticipated completion date is fall 2025 was correct. VP Young stated that the COVID-19 pandemic did not delay the Project itself but did impact the completion of some of the studies necessary for pre-construction work, as well as some of the value-added engineering efforts for the Project. While Greystar is confident that the Project will be available for full occupancy by fall 2025, there is a high likelihood that the facility will be ready to accept occupants and begin operations well before this date.

Mentioning that construction agreements often contain penalties for delays such as those experienced by the Project, Board Chair Kudo questioned how the PCA addressed this issue. VP Young stated that the PCA is a pre-construction agreement and currently references a target Project delivery date of fall 2025. However, more robust language around expectations and obligations for specific delivery dates will be included within a full and final construction agreement for the Project.

Regent Nahale-a moved to recommend board approval of authorization to amend the PCA with Greystar for the Project, seconded by Regent Acopan, and noting the excused absence of Vice-Chair Higaki, the motion carried with all members present voting in the affirmative.

B. Recommend Board Approval Authorizing Negotiation and Approval of Lease of Facility Between the University of Hawai'i and the Agribusiness Development Corporation (ADC) for the Benefit of Leeward Community College (LeeCC)

VP Young stated that the administration was seeking board approval to negotiate and enter into a 35-year lease agreement for the long-term use of a 69,000 square-foot parcel of land located in Wahiawa consisting of primarily agricultural warehousing space currently owned by ADC. Securing long-term use of the leased area will allow the university, through LeeCC, to move forward with a renovation project to create and develop the Wahiawa Value-Added Product Development Center (Center) to support entrepreneurial development and economic diversification. While the Center will serve as an entrepreneurial incubator with a goal of economic diversification, particularly in the food-based product industry, it will also serve as a resource that will allow LeeCC to provide agribusiness-related curricula meshed with real-world experience, as well as technical research related to agriculture. The renovation project is expected to be completed in two years at an estimated cost of \$17 million.

Vice-Chair Higaki arrived at 9:04 a.m.

Board Chair Kudo inquired as to whether there was an agricultural program at LeeCC and if this was a reason for it being chosen to operate the Center. VP Lacro replied that LeeCC has an agricultural technology program but that the university envisions the Center being used by all of the campuses on O'ahu.

Noting that it appeared the Center will be used for agricultural purposes from both a cultivation and farming standpoint as well as a business perspective, Board Chair Kudo

asked if the university's business program was also involved in this venture. VP Lacro stated that the Center will focus on a number of agriculture-related training programs and courses, including agricultural business development, food safety and sustainability programs, and culinary programs, that will allow different disciplines, including the business program, to be brought together in a collaborative effort to meet the educational needs of students and the community.

Referencing the Center's Wahiawa location, Board Chair Kudo asked if there was a relationship between the Center and the agricultural lands located in the area. Michael Unebasami, Associate Vice President (AVP) for Administrative Affairs for Community Colleges, responded in the affirmative noting that it appeared the Legislature provided funding for this project with the intent of promoting the agriculture industry in Wahiawa.

Board Chair Kudo questioned the cost-benefit relationship between the renovation project and the lease stating that, for \$17 million, it was his opinion that the negotiated lease should be for a longer term. AVP Unebasami replied that conversations regarding the transfer of the parcel's deed from ADC to the university did arise during negotiations on the lease agreement and noted that discussions about this transfer are ongoing. VP Young added that the university's short-term goal would be to secure the long-term lease and subsequently continue negotiations for ADC to transfer the property to the university outright. If this property transfer opportunity arose, the administration would be required to return to the board seeking approval for acceptance of the parcel.

Citing a bill authorizing the Board of Land and Natural Resources to extend certain leases of public lands for various purposes if certain conditions were met, Board Chair Kudo asked if this would have any impacts on the lease with ADC. VP Young stated that it was his understanding that the university was explicitly excluded from this measure. However, if the bill is approved by the Governor and is found to be applicable to the university as a lessee, ADC could choose to automatically renew the university's lease in 35 years.

Regent Acoba asked whether changes to the status of ADC as a State agency, including its possible dissolution, would impact the negotiated lease. VP Young replied that he did not believe changes to the status of ADC would compromise the lease, as ADC is an agency of the State.

Following-up on Board Chair Kudo's previous question, Regent Acoba inquired as to whether a 35-year lease was adequate in terms of recouping the \$17 million investment being made by the university. AVP Unebasami responded that, from the community college's perspective, amortization of \$17 million over a 35-year period was adequate. Director Shibata added that the administration did analyze the initial lease proposal and feels comfortable moving forward on this project based upon the improvement schedule and costs over the 35-year term of the lease. He noted, however, that a longer-term lease would be further advantageous to the university.

Mentioning that the university has the right to extend the lease for an additional 10 years, Regent Acoba asked whether there were any special conditions imposed on this extension. AVP Unebasami stated that no special conditions have been placed on the

option to extend the lease for an additional 10 years. Regent Acoba continued, asking if the intent of the university was to eventually obtain title to the property. AVP Unebasami responded in the affirmative.

Regent Acoba questioned whether the administration was also requesting approval of the three-year operating budget for the Center that was provided to the committee as part of the lease proposal. VP Young replied that the committee was provided information on the Center's three-year operating budget to illustrate the extensive nature of the Center being proposed for the leased parcel.

Regent Nahale-a expressed his support for the lease stating that the issue of economic diversification and agricultural viability and sustainability are important issues for Hawai'i and the university must play a role in addressing these issues. Although he supports the lease proposal, he opined that future acquisition of the property would be more beneficial for the university. He also stated that to fully operate the Center in a way that matters to Hawai'i's future, the university will need to continue seeking outside support and is hopeful that conversations will continue on this matter.

Regent Moore asked whether a market demand study was done to determine the extent of interest in use of the Center, including the number of tenants willing to occupy space and pay rent for use of the facility, and whether the university has undertaken or plans to undertake efforts to promote the facility to prospective tenants. AVP Unebasami stated that a specific market demand study for the Center has not been carried out. However, he noted that, after conducting initial research on the expansion of agricultural opportunities for small business entrepreneurs in Hawai'i, the Hawai'i State Senate decided that the Center was something that was necessary to promote economic diversification and growth of the agricultural industry. Site visits to similar facilities in Arkansas, Portland, and New Zealand were also conducted prior to the development of plans for the Center. He also stated that LeeCC feels confident that there is a need for the Center based upon interest it has already received from several parties. VP Lacro added that, while the Center may be used by businesses to conduct experiments and work with students in a laboratory type environment to spur entrepreneurship, the main purpose of the Center was to serve as an educational site to provide agribusiness-related curricula meshed with real-world experience to university students.

Regent Westerman arrived at 9:20 a.m.

Stating that the Legislature provided three positions for the Center, Regent Moore asked if this was a sufficient number of personnel to execute the educational opportunities envisioned for the Center. AVP Unebasami replied that the number of personnel provided by the Legislature was currently sufficient but that the administration would be utilizing the next two years to assess program development and staffing needs for the Center. VP Lacro also stated that faculty from the various university campuses would also be utilizing the facility which could also address some of the program staffing requirements.

Regent Sullivan expressed her concerns regarding Center's duplication of agricultural programs and educational efforts already occurring at UHWO, as well as the possible long-term fiscal consequences for the university and the adequacy of staffing for the Center that was provided by the Legislature. As such, she stated that she could not support moving forward with the lease.

Board Chair Kudo opined that he agreed with the concept of the Center but questioned why it could not be placed within UHWO which already has a thriving agricultural program as noted by Regent Sullivan. VP Lacro replied that the Center is not a community college facility but rather is a university facility that will be available for use by all of the campuses. However, operational management of the facility needed to be placed under the jurisdiction of a particular campus and LeeCC was chosen.

Board Chair Kudo asked whether the facility repair and maintenance (R&M) backlog at LeeCC had been reduced to ten percent. AVP Unebasami replied that he did not have the exact figures for the R&M backlog at LeeCC but that it was not reduced to ten percent.

Chair Tagorda expressed her support for the educational opportunities that the Center is intended to provide to the community, particularly with regard to agriculture and farming which is deeply rooted in the identity of communities across the State.

Regent Acopan moved to recommend board approval of a facility lease between the university and ADC, seconded by Regent Acoba, and noting the no vote of Regent Sullivan, the motion carried with all other members present voting in the affirmative.

C. Recommend Board Approval of Resolution 21-03 Requesting the Administration of the University of Hawai'i to Pursue an Adjusted Utility Rate Structure for Institutions of Higher Education from the Hawaiian Electric Company, Inc. (HECO)

Prior to presentation for this agenda item, Regent Acoba recused himself from discussions on this matter.

Regent Acoba left at 9:34 a.m.

Board Chair Kudo explained that the impetus for the introduction of Resolution 21-03 was to address one of the major expenses associated with operating the ten-campus university system, electrical costs. During fiscal year (FY) 2019-2020, the university's overall electrical expenses amounted to \$46.5 million. It was noted that UHM accounted for nearly \$35 million of these costs due to its immense energy needs and consumption because of its designation as an R1 research university with many of its research facilities, laboratories, dormitories, and information technology centers requiring 24-hour energy use. Although the university system, particularly UHM, has worked actively to control its electricity costs through actions such as energy efficiency and conservation efforts, increased renewable energy production, regulating electrical use during non-peak hours, and decreased energy consumption, the rising cost of electricity per kilowatt hour continues to impact the university's electrical expenses. He opined that, as one of the largest consumers of electricity in the State and as an

institution of higher education that provides a needed public service, the university should embark on an effort to lower electric utility costs through the negotiation of lower rates from HECO. Resolution 21-03 initiates the process for these negotiations.

VP Gouveia stated that the university supports working with HECO and the Public Utilities Commission (PUC) to determine and craft an electric utility rate structure that was beneficial to the university and recognized its unique electricity needs. She also reiterated that the university has reduced its year-over-year utility purchased energy demand and consumption since 2015 but continues to experience increased electric utility costs. The actions contained within Resolution 21-03 would be one part of a multi-pronged approach to addressing the university's large electrical expense.

Regent Sullivan expressed support for Resolution 21-03 but asked why the university was requesting HECO to initiate a modified rate structure request with the PUC rather than commencing with its own request. Board Chair Kudo replied that the university already has a working relationship with HECO and he believed an attempt should first be made to work together with HECO on this issue rather than initiate a request that was counter to their interests. However, if these efforts are unsuccessful or if HECO is unwilling to act, the option for the university to initiate its own request with the PUC remains.

Regent Moore stated that reducing the university's electricity bill is a worthy objective and lauded the university for its efforts to reduce electrical consumption. However, he noted his uneasiness with singling out the importance of the university to the State in order to achieve a reduced utility rate from HECO which could result in increased costs for other ratepayers. Board Chair Kudo replied that he believed the university provided a tremendous public benefit to the community through its education of a significant portion of Hawai'i's population. As such, the community should be afforded an opportunity to express their opinions to the PUC as to whether the university should be provided with a reduced utility rate for the public service it provides.

Vice-Chair Higaki moved to recommend board approval of Resolution 21-03, seconded by Regent Sullivan, and noting the recusal of Regent Acoba, the motion carried with all other members present voting in the affirmative.

Regent Acoba returned at 9:50 a.m.

D. FY 2020-2021 3rd Quarter Capital Improvement Project (CIP) Status Report as of March 31, 2021

VP Gouveia provided a report on the status of CIPs through the third quarter of FY 2020-2021 stating that all projects are moving forward as planned with no significant issues and that more detailed information regarding these projects is contained in the committee materials. She noted a number of milestones that have been reached regarding several projects including the development of the Early Phase Clinical Research Center (EPCRC) at the University of Hawai'i Cancer Center (Cancer Center), the renovation of Bachman Hall, the demolition of Snyder Hall, and parking structure repairs. She also highlighted the status of more than \$10 million in facility

improvements to the Clarence T.C. Ching Athletic Complex (Ching Complex) that were necessitated by the decision to demolish Aloha Stadium and use the Ching Complex as a venue to host home games for the university's football team beginning in fall 2021 and presented renderings of the facility upgrades and design. To meet the aggressive timeline, two existing construction contracts were modified to support all improvements necessary to host football games in accordance with National Collegiate Athletic Administration Division I standards. The improvement projects remain on schedule and are expected to be completed by August 2021.

Regent Sullivan commended and thanked VP Gouveia and her entire team for their exceptional efforts regarding improvements at the Ching Complex. VP Gouveia replied that a project of this magnitude required a total team effort among not only the university but other State agencies and private entities. She acknowledged several individuals who are playing an integral role in the Ching Complex facility improvement efforts including Seth Siaki, Bruce Teramoto, and Nelson Lee, and thanked Mayor Blangiardi, DPP Director Dean Uchida, and the City and County of Honolulu for working closely with the university to ensure that the improvement projects at the Ching Complex could be completed in a timely manner.

Regent Acoba asked if the hospitality suites included in the Ching Complex improvements increased the overall costs for the project; whether the \$11.1 million increase in project costs for the renovation of athletic gyms 1 and 2 were anticipated, and if the departure of Cancer Center Director Dr. Randy Holcombe would have any impact on obtaining approval of the EPCRC's construction documents from the National Institutes of Health (NIH). VP Gouveia responded that inclusion of the hospitality suites did add to the overall costs of the Ching Complex improvements; clarified that the project costs for athletic gyms 1 and 2 did not increase by \$11.1 million but rather increased by an additional \$1 million as a result of required re-roofing to install photovoltaic systems for a total project cost of \$11.1 million; and noted that the university is hoping to hire a director of clinical trials for the Cancer Center soon and is confident that the requirements necessary to obtain NIH approval will be met.

E. FY 2020-2021 3rd Quarter University Land-Related Strategic Initiatives and Partnerships Program Update

VP Young provided a brief update on the status of several university land-related strategic initiatives through the third quarter of FY 2020-2021 stating that more detailed information is contained in the committee materials. He highlighted the following:

- UHWO - University District Lands Project: It was noted that interest has been expressed, and formal discussions are ongoing, concerning the acquisition of portions of this land for a film studio. Use of various parcels for renewable energy production are also under consideration. Additionally, the university is working with the State Department of Transportation on realigning and widening Farrington Highway as this initiative will encroach on UHWO property in the project area but could also elevate the development possibilities for these parcels.

- Atherton Project: This project, which focuses on innovation space and student housing, continues to move forward and is awaiting approval of the PRU permit modification application by the Honolulu City Council. Demolition permits for the project are currently being approved and bond financing for the project is anticipated to occur in August 2021.
- NOAA Graduate Student Housing Project: Details on the progress of this project were described in agenda item IV.A.
- Kaimuki/Leahi Hospital Parcels Project: The university continues to evaluate the possible disposition of three parcels of university-owned land in the Kaimuki area adjacent to Leahi Hospital.
- University Press Parcel Project: The university continues to evaluate the potential land-monetization opportunities and disposition of university-owned land in Mānoa Valley which was the former location of the University Press.
- Honolulu Authority for Rapid Transportation (HART) Projects: These projects, which include the finalization of a master use and occupancy agreement (MUOA) between HART and the university; the requested use of UHWO property to site a 900-stall interim park and ride facility; and the refining of proposed rail improvements at Honolulu Community College, continue to be discussed and evaluated but have been added to the list of land-related strategic initiatives.

Regent Acoba requested clarification of the value-engineering cost reduction considerations of approximately \$13 million identified in the materials provided on the NOAA Project. VP Young replied that value-engineering refers to adjustments that are made to initial design plans to scale a project to an established budget plan. In the case of the NOAA Project, design modifications were necessary to reduce construction costs by \$13 million to meet the anticipated construction budget for the project.

Regent Sullivan asked whether there were any significant changes to the HART related projects that would require the administration to return to the board to seek approval of amendments to the MUOA. VP Young replied that final negotiations on the MUOA have not concluded and the administration does not anticipate significant changes to the agreement that would require board approval. However, he noted that HART is considering changes to the rail line that could impact some of the HART projects that are related to university property. If these changes materialize, amendments may need to be made to the MUOA that would necessitate a return to the board for approval.

V. ADJOURNMENT

There being no further business, Vice-Chair Higaki moved to adjourn, seconded by Regent Sullivan, and with all members present voting in the affirmative, the meeting was adjourned at 10:15 a.m.

Respectfully Submitted,

/S/

Kendra Oishi
Executive Administrator and Secretary
of the Board of Regents